

**Opening Statement of the Honorable Greg Walden
Subcommittee on Communications and Technology
Hearing on “Media Ownership in the 21st Century”
June 11, 2014**

(As Prepared for Delivery)

What do the founding of Microsoft, the first episode of Saturday Night Live, and the establishment of the broadcast/newspaper cross-ownership ban have in common? They are all about to turn forty, because they all took place in 1975. But where Microsoft has innovated and moved past a world where MS-DOS was the state-of-the-art, and Saturday Night Live continues to reinvent itself as an essential piece of Americana, the media ownership rules persist as though the Internet simply doesn't exist. Our laws need to reflect the reality of the world we live in today, not the world of the Ford administration. It is my sincere hope that today's discussion can spur us to rationalize the rules and regulations for a media industry that serves consumers in this century – not the last.

In today's media environment, traditional media like Bend, Oregon's KTVZ-TV and the town's Bulletin newspaper compete with Twitter, The Drudge Report, The Huffington Post, Fox News, MSNBC, CNN, the Wall Street Journal, and the New York Times. We live in an era of a 24-hour news cycle and on-demand national media, but our laws assume a world where local newspapers and broadcast stations are so influential that economies of scale are dangerous to the public interest. While proponents of the status quo express their love of localism and the laws intended to guarantee it, I fear that laws intended to ensconce our love of local media are loving them to death.

Promoting localism is a goal we all share; but localism isn't cheap. Producing the kind of high-quality content that has been the hallmark of American broadcasting is an expensive labor of love for local broadcasters and newspapers. And as Americans' habits have changed, so too should the way we look at local media. We live in a competitive landscape where increasingly we cherry-pick articles; we scroll through feeds and aggregators; we have multiple national news programming options, and we DVR almost everything to time-shift the programming we love. It's a different world, why don't our media laws reflect these changes?

The fact is, the FCC tried to change these rules as early as its 2002 review of the media ownership rules, when it recognized the competitive force that is the Internet. The commission would have done away with the ban on cross-ownership of a daily newspaper and a broadcast station and expanded the caps on local ownership of television and radio stations. But the courts overturned the FCC's proposed rule not because it believed that repeal was unreasonable. In fact, the court determined that “reasoned analysis supports the commission's determination that the blanket ban on newspaper/broadcast cross-ownership was no longer in the public interest.” The Third Circuit threw out the proposed new rules because it thought the commission relied too heavily on the Internet as a significant competitive factor. I wonder what the court would say if the same proposal before it today – now that newspapers' annual revenues are down more than half since 2003. Would the same bench consider the Internet a significant competitive factor now that the average online video ad often out-prices traditional TV day-parts?

Sadly, following two court losses it seems that for a while the FCC simply gave up on trying to save this industry from antiquated regulation. The commission failed to complete the 2010 quadrennial review – its statutorily mandated review of media ownership rules – and instead has doubled down by making changes that make it more difficult for local media to compete. The commission's recent decisions to unwind many joint sales agreements and to look askance at shared service arrangements ignore the realities of the broadcast business and are affirmatively harmful to the localism they purport to protect.

I am happy to see that the commission intends to return to reasoned rulemaking consistent with its statutory mandate. Chairman Wheeler has announced his intention to comply with the law and complete the 2014 quadrennial review in a timely manner. And while the law is very specific in the commission's mandate to deregulate media ownership where warranted, given the recent set of FCC decisions, I am, to

quote the man for whom this room is named, “comforted very little.” Without relief, I fear that local broadcast and newspaper companies will continue to struggle against unregulated competitors whose business models are not hamstrung by decades-old regulatory assumptions. Newspaper classified advertising peaked in 2000 at \$19.6 billion; in 2012, classified advertising brings in \$4.6 billion – a drop of 77 percent in just over a decade, primarily due to shifts in classifieds to such Internet entities as Craigslist. Unsurprisingly, hundreds of newspapers have shuttered operations or migrated to digital only since 2007, and the U.S. has lost 62 daily newspapers since 2004.

We are all committed to promoting a local media industry that is healthy; to fostering competition, localism, and diversity of voices; and to ensuring that local media continues to serve the needs of their communities. But pretending that laws designed for an era before smartphones and the Internet will get the job done is an effective death sentence for many local media outlets.

I’d like to thank our witnesses for joining us today to offer their opinions on how we might improve our media ownership rules. We appreciate your taking the time to join us today, and we’re looking forward to hearing what you have to say.

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